

**ANACORTES SCHOOL DISTRICT No. 103**  
**Skagit County, Washington**  
**September 1, 1993 Through August 31 1994**

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**Schedule Of Findings**

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1. The District Should Strengthen Controls Over Associated Student Body (ASB) Cash And Revolving Funds

Our review of Anacortes School District's ASB funds identified a number of control weaknesses which resulted in the loss of ASB and private funds.

- a. The safe at Island View Elementary is used to secure ASB funds as well as the teacher's social fund and the PTA lunch money fund. The safe is unlocked in the morning but is kept in a locked cabinet. However, the key to the cabinet is accessible to anyone walking through the office.
- b. Pencil machine revenues were not reviewed for reasonableness based on pencils purchased, mark-up, and remaining inventory.
- c. Revolving funds reviewed at two schools had not been reconciled to bank balances.

The Superintendent of Public Instruction (SPI) *Accounting Manual for School Districts*, Chapter III, Section G-1, page 4 states in part:

Access to resources and records should be limited to authorized individuals, and accountability for the custody and use of resources is to be assigned and maintained. Periodic comparison should be made of the authorized access to systems with the current assignments of the individuals.

The SPI *Accounting Manual for School Districts*, Chapter III, Section G-4, page 4 states in part:

All imprest bank accounts and petty cash, stamp and change funds must be reconciled to the authorized maximum amount at least monthly. All accounts are to be replenished to their maximum amount at the end of the fiscal year.

As a result of the control weaknesses noted, losses of an unspecified amount were noted by management in the teacher's social fund and the PTA lunch money fund. Although these funds do not belong to the district, they were in the school's safe.

A reconciliation of pencil machine related revenues, expenditures, and physical inventory as of January 1995, revealed an estimated shortage of up to \$1,875 since the machine was installed in 1992. Given the lack of control over cash, we are unable to assign responsibility for the loss.

The revolving fund at Island View Elementary had been \$50 in excess of it's authorized

balance for nearly a year. The overage was the result of not reconciling to the bank statement.

Poor ASB controls appear to be the result of inadequate training of ASB staff.

We recommend:

- a. District management ensure all resources are adequately safeguarded.
- b. Controls over cash receipts and fund raising activities be improved to allow for assignment of responsibility from initial receipt to final deposit.
- c. Revolving funds are properly reconciled to their authorized balances.

We also recommend personnel involved in the accounting for revenues and expenditures receive adequate training to perform the necessary safeguarding, accounting and reconciliation procedures.

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1. All Charges Made To The Chapter 1 Grant Should Be Supported By Accurate Accounting Records

During our audit of the Chapter 1 Program, we noted an overcharge of \$8,083 in direct and indirect payroll costs to Chapter 1. The charges were based on inaccurate year-end figures for payroll and benefits. The charges to Chapter 1 were calculated based on the percentage of time spent on Chapter 1 activities. Applying the percentages to the wrong payroll amount resulted in an overcharge to the Chapter 1 grant. An inaccurate methodology was used to extract the payroll information from the accounting records.

The U.S. Office of Management and Budget (OMB) Circular A-87, *Cost Principles Applicable to Grants and Contracts*, establishes standards for documentation and allowability of costs charged to federal grant programs. Among these standards are:

- a. Amounts charged to grant programs for personal services will be based on payrolls supported by time and attendance or equivalent records for individual employees.
- b. Salaries and wages of employees chargeable to more than one cost objective must be supported by time distribution records.

The system used to extract the payroll information gave, what was thought to be, valid data in the Fiscal Year to Date field. However, in order to retrieve the information correctly, it has to be taken from the monthly documentation for employee benefits. The district has noted the deficiency in their methodology and has taken appropriate corrective action. In addition, the district has contacted the Office of the Superintendent of Public Instruction to explain the error and request the appropriate adjustments be made.

We recommend the district ensure all charges made to federal programs are adequately supported by source documentation. We further recommend the district comply with any recommendations made by the Office of the Superintendent of Public Instruction regarding the overpayment.